IPTI Xtracts

Property Tax and Assessment News from Around the World

AUSTRALIA - June 2017

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NSW introduces amending legislation to make significant stamp duty changes

2017-18 New South Wales State Budget: Tax and duty changes, including significant increases to stamp duty and land tax surcharges, and certain exemptions and/or refund provisions for Australian-based developers and permanent residents

The New South Wales 2017-18 Budget handed down on 20 June 2017 has confirmed the pre-announced significant increases to stamp duty (from 4% to 8%) and land tax surcharges (from 0.75% to 2%) for 'foreign persons' of New South Wales residential property. These changes, together with others outlined below, have been introduced into the New South Wales Parliament under the State Revenue and Other Legislation Amendment (Budget Measures) Bill 2017 (NSW) (Bill).

Who will the increased surcharges impact?

The increased stamp duty surcharge will primarily impact foreign investors in, and developers of, New South Wales residential land (either through the direct purchase of land or through the acquisition of interests in companies or trusts that hold New South Wales residential land).

The increased land tax surcharge will impact existing and future foreign holders of New South Wales residential land, either held directly or through interposed companies or trusts. It may also impact tenants of foreign landlords where the provisions of their lease allows the landlord to recover any land tax surcharge assessed in relation to leased premises.

In certain circumstances, the Chief Commissioner must assess and refund the whole or a proportion of the surcharge purchaser duty and surcharge land tax for Australian-based developers of residential land on application by the taxpayer. Given the significant increases in the surcharge rates, investors in and owners of New South Wales residential land should consider whether an exemption or refund may be available. The Bill also provides for refunds of surcharge purchaser duty for purchasers of commercial residential premises, however, the relevant provisions / guidelines are yet to be published. Certain permanent residents will also be exempt from surcharge purchaser duty and surcharge land tax.

Stamp duty surcharge – 8% imposed on foreign purchasers of residential property

As outlined in our previous News Alert (MinterEllison Alert | Foreign purchaser duty surcharge and NSW Budget), with effect from 21 June 2016, a 4% surcharge was imposed on acquisitions of residential land (and options to purchase residential land) by 'foreign persons'. The surcharge applies to both direct acquisitions (ie transfers of land) and indirect acquisitions (ie through the acquisition of interests in landholder companies and unit trusts).

The Bill provides that for transactions on which surcharge purchaser duty is charged that are entered into on or after 1 July 2017, the surcharge rate will increase from 4% to 8%. The existing 4% rate will apply in to transfers of residential-related property made in conformity with an agreement for sale entered into before 1 July 2017, and transactions that result from the exercise of an option for the sale or purchase of residential-related property if the option was granted before 1 July 2017.

The 8% surcharge will increase the top stamp duty rate for foreign purchasers to 13.5%. In addition, a premium property rate of 7% can also apply to the acquisition. For example, the stamp duty payable by a foreign purchaser of a $5,000,000 residential property may be $690,490 (comprising duty at the general rate of $150,490, duty at the premium property rate of $140,000, and duty at the increased purchaser surcharge rate of $400,000).

The New South Wales Treasurer has forecast that the increase in the stamp duty surcharge will raise an additional $111m in the 2017-18 year.

Land tax surcharge – 2% imposed on residential land owned by foreign persons

With effect from the 2018 land tax year (which takes effect on midnight 31 December 2017), the land tax surcharge rate will increase from 0.75% to 2%. This surcharge applies to 'foreign persons' who hold residential land in New South Wales. The land tax surcharge applies to land held directly or via a company or trust. The increase means that the top land tax rate applicable to such persons will increase from 2.75% to 4%.

The impact of the increase in this surcharge is significant. For example, the annual land tax payable by a foreign person owning residential land with a taxable value of $5,000,000 will increase by $62,500. The New South Wales Treasurer has forecast that the increase in the land tax surcharge will raise an additional $69m in the 2017-18 year.

Refunds of surcharge purchaser duty and refunds and exemptions from surcharge land tax for Australian-based developers

The Bill provides for a full or partial refund of surcharge purchaser duty paid on transfers of, or agreements for the sale or transfer of, residential-related property to Australian corporations that construct and sell new homes on the residential land concerned. The refund provisions apply to eligible developers who acquired land on or after 21 June 2016.

The Bill also provides an exemption from, and refund of whole or part of the surcharge land tax in respect of certain residential land owned by the Australian corporation at the taxing date. The exemption applies from the 2017 land tax year onwards.

An Australia corporation (being a corporation that is incorporated under the Corporations Act 2001 (Cth)) may be eligible for a refund of the surcharge purchaser duty and refund / exemption from the surcharge land tax if the Chief Commissioner is satisfied that:

- the corporation or a related body corporate of the corporation constructed a 'new home' (having the same meaning as in the First Home Grant (New Homes) Act 2000 (NSW)) on the residential land to which the residential-related property relates after completion of the transfer of the property to the corporation, and
- the corporation has sold the new home to a person other than an associated person of the corporation, and
- the home was not occupied or used as a place of residence or for any other purpose at any time during the period commencing on completion of construction of the new home and ending on completion of its sale.

A dwelling that has been rented or occupied at any time while owned by the developer is not eligible for a refund.

The proportion of surcharge purchaser duty and surcharge land tax refunded will be based on the proportion of dwellings sold (other than to an associated person) within 5 years of the completion of the purchase of the land by the developer. Where separate dwellings are sold progressively over the 5 year period, a developer may be granted partial refunds. The New South Wales Office of State Revenue (NSW OSR) has advised that guidelines will be provided by way of an order made by the Treasurer.

An application for the refund for surcharge purchaser duty and surcharge land tax must be made within 12 months after the completion of the sale of the new home to which the application relates and no later than 5 years after completion of the transfer of the residential-related property to the Australian corporation.

The refund provisions do not apply to all types of transactions on which surcharge purchaser duty is chargeable (eg declarations of trust over residential-related property or leases of residential land where a premium is paid) but only to transfers or agreements to transfer the residential-related property. In addition, the surcharge purchaser duty continues to apply on foreign persons (including Australian-based developers) that indirectly acquire residential land (ie by purchasing shares in companies or units in unit trusts that hold residential land).

Residential land – meaning of 'dwelling' – exemption for commercial residential premises

The NSW OSR has advised that commercial residential property will be exempt from surcharge purchaser duty and surcharge land tax, and that the Chief Commissioner will make a determination identifying classes of commercial residential property (eg purpose built student accommodation).

The NSW OSR advises that commercial residential properties are exempt from surcharge purchaser duty and the exemption is retrospective to 21 June 2016. Commercial residential properties will be exempt from surcharge land tax with effect from the 2017 tax year.

The Bill provides that the Chief Commissioner must assess or reassess the surcharge purchaser duty chargeable on a surcharge duty transaction on the basis that no surcharge purchaser duty is chargeable on the transaction where the Chief Commissioner has determined the property is not a dwelling for the purposes of determining the surcharge purchaser duty (eg the premises constitutes commercial residential premises).

In the case of a reassessment, the Chief Commissioner must refund any surcharge purchaser duty paid on the transaction if an application for the refund of the duty is made within 5 years after the initial assessment. The Bill does not appear to expressly provide for a refund of the surcharge land tax where the premises is taken to be commercial residential premises.

Exemption from surcharge purchaser duty and surcharge land tax for certain permanent residents – principal place of residence

For surcharge purchaser duty purposes, the Bill exempts certain foreign persons who are permanent residents (including New Zealand citizens holding special category visas under the Migration Act 1958 (Cth)) from a liability to pay the surcharge on transfers, or agreements for the sale or transfer, of residential-related property. The exemption will apply if the permanent resident uses and occupies the residential land concerned as a principal place of residence for at least 200 continuous days in the first 12 months after the liability to pay surcharge purchaser duty first arises on the property transferred.

The exemption commences on 20 June 2017 and will be granted if the person declares that they will complete the 200 day continuous period residence requirement.

For surcharge land tax purposes, the Bill extends the principal place of residence exemption (currently available as an exemption from land tax only, not the land tax surcharge) so that it will be available as an exemption from the surcharge land tax to foreign persons who are permanent residents (including New Zealand citizens holding special category visas under the Migration Act 1958 (Cth)). The exemption applies in respect of the 2018 land tax year and subsequent tax years, and requires the permanent resident to use and occupy the residential land concerned as a principal place of residence for at least 200 continuous days in the land tax year concerned.

The surcharge purchaser duty and surcharge land tax exemptions effectively operate as a limited further modification to the definition of 'foreign person' (which already excludes Australian citizens, New Zealand citizens holding special category visas under the Migration Act 1958 (Cth), and individuals ordinarily resident in Australia (ie lawfully been in Australia for 200 or more days within the preceding year and not subject to a legal time limitation on being in Australia)).

Other changes

Other announcements in the Bill include:

- *Off the plan purchases:*
- A liability for duty is deferred (for up to 12 months) on an agreement for the sale “off the plan” of land on which a residence is to be erected only if the Chief Commissioner is satisfied that the purchaser intends to use and occupy the residence as a principal place of residence, starting no later than 12 months after the sale is completed, for at least 6 months (the 'residence requirement').
- If the purchaser does not meet the residence requirement, the purchaser will be liable to pay interest and penalty tax, backdated to the date of the agreement.

- *First Home Buyers Assistance Scheme*
- The dutiable value of property for which a concession may be claimed under the Scheme is increased from $650,000 to $800,000.
- The dutiable value of property for which an exemption may be claimed under the Scheme is increased from $550,000 to $650,000.

- *Insurances:*
- Lender’s mortgage insurance is exempt if the premium for the insurance is paid on or after 1 July 2017.
- Crop insurance and livestock insurance are exempt if they are effected or renewed on or after 1 January 2018.
- Commercial vehicle insurance, commercial aviation insurance, occupational indemnity insurance and product and public liability insurance effected on or after 1 January 2018 are exempted from duty if the insured person is a small business (eg turnover of less than $2,000,000).

TASMANIA - Honey farmers who refused to pay rates because they insist 'God owns the land and not the council' have debt paid by 'anonymous source'

• Family refused to pay rates to a council as they believed it was 'God's land'
• The Tasmanian honey farmers had debts of $9,332 for three estates since 2010
• An anonymous source covered the debts of their two Chudleigh plots
• The council will now move to sell the remaining plot owned by the Dutch family

A family of honey farmers refusing to pay council rates on their three Tasmanian properties because they were on 'God's land' have been given a helping hand by an 'anonymous source' who paid their debts.

The three plots owned by the family had left them with $9,332 in arrears owed to Meander Valley Council as they took a religious stance on rates claiming it was a matter 'between the council and God'.

Yet in a surprising twist, an 'anonymous source' has paid the debt at their two Chudleigh plots that make up their Melita Honey Farm, ABC News reports.

The council will now move to sell the last plot at Mole Creek, which still has unpaid debts as the family refuse to budge on their stance, insisting the land was owned by the 'Heavenly Father'.

It was discussed and agreed at a council meeting in March to sell all three properties if the debts remained unpaid by June 21.

Meander Valley mayor Craig Perkins confirmed that an unnamed source had paid the council the debts of two of the properties several weeks ago.

'We understand it was an anonymous source that understands the value of that business to the Chudleigh community,' he said.

As agreed, Mr Perkins revealed that the sale of the final property at Mole Creek will be now sold.

'If they arrived down here with a cheque tomorrow to pay the rates and costs associated with it so far, we would ask no more questions,' he said.

The family took a religious stance on rates claiming it was a matter 'between the council and God' after insisting the land was owned by the 'Heavenly Father'

Meander Valley mayor Craig Perkins confirmed that an unnamed source had paid the council the debts of two of the properties several weeks ago

'Unless there's a change of heart and they come to a new realisation and hopefully find some new text within the Bible that allows them to pay rates, I fear we will be in the position in three or so years' time.'

It has been confirmed through a report given to the council that the family have failed to make payments for rates since 2010.

The owners admitted to council members in November 2016 that they had no intention on coughing up the cash owed to them.

'They steadfastly reaffirmed their belief that the land was not theirs, but that of the Heavenly Father, that the council would be taking the land from him and that was a matter between council and God,' the report read.

The owners of the three properties are a Dutch family who moved to Australia in the 1980s.

Before moving to Tasmania, they lived in Western Australia for 15 years.

Their business in Chudleigh has thrived since their arrival selling honey and other honey related items as well as gifts and books.

Their two Chudleigh plots offer an interactive experience for visitors with live bee exhibitions and a museum of old beekeeping implements.

QUEENSLAND - Landlords again prevented from recovering Land Tax under pre-30 June 2009 commercial leases

On 16 June 2017, the Queensland Government passed changes to the *Land Tax Act 2010* (Qld) dealing with a landlord's right to recover land tax from tenants. The changes are a reversal of the decision in late 2016 in *Vikpro Pty Ltd v Wyuna Court Pty Ltd ATF Wyuna Court Unit Trust [2016] QCA 225* (**Vikpro decision**).

The changes mean that landlords will be prohibited from recovering land tax from tenants after 30 June 2010:

1. under leases entered into after 1 January 1992 and before 30 June 2009 (pre-existing lease); and
2. under leases arising from an option to renew, assignment or transfer of a pre-existing lease.

The changes are retrospective to 30 June 2010, except that any amounts **paid** by a tenant to a landlord in reliance upon the Vikpro decision are not refundable. The issue for landlords who have relied, or intended to rely, on the Vikpro decision is that any amount:

1. charged, but not yet paid; or
2. budgeted for, but not yet charged,

will not be able to be recovered after the changes take effect, expected to be 1 July 2017. Landlords may in the meantime seek to recover such amounts, but it seems impractical to do so.

Landlords and valuers will also need to consider the impact the changes will have on market rent reviews undertaken in the period between the Vikpro decision and when the changes take effect.

Legislative Background

The law on recovery of land tax from tenants has oscillated over the past 25 years. There were key changes that occurred in 2009 and 2010. The below table shows the effect of those changes and those just passed:

Lease	***Land Tax Act 1915*** **before 2009 amendment**	***Land Tax Act 1915*** **after 2009 amendment**	***Land Tax Act 1915*** **repealed;** ***Land Tax Act 2010*** **commenced and Vikpro decision**	***Land Tax Act 2010*** **after 2017 amendments**
Pre-1992 Lease: Leases entered into before 1 January 1992 and a lease arising from an option to renew contained in such a lease	Recovery permitted	Recovery permitted	Recovery permitted	Recovery permitted
1992-2009 Lease: Leases entered into after 1 January 1992 and before 30 June 2009, excluding a Pre-1992 Lease	Recovery permitted	Recovery permitted	Up to 30 June 2010: Recovery prohibited After 30 June 2010: Recovery permitted	Recovery prohibited, but any amounts **paid** by tenants do not need to be refunded
Post-2009 Lease: Leases entered into after 30 June 2009, excluding a Pre-1992 Lease or a 1992-2009 Lease	Not applicable	Recovery permitted	Recovery permitted	Recovery permitted

Commercial and Industrial Affected, Retail and Residential Excluded

The changes will have the biggest impact on commercial and industrial property owners.

In a retail context, the changes only really affect major tenancies as recovery of land tax under specialty shop leases is prohibited under the *Retail Shop Leases Act 1994* (Qld).

In a residential context, recovery of land tax is prohibited in relation to all residential tenancies under the *Residential Tenancies and Rooming Accommodation Act 2008* (Qld).

QUEENSLAND - Foreign investors in QLD slammed with new tax

Foreign owners of investment property in Queensland will be slammed with a 1.5% land tax surcharge on assets with a value of $350,000 or more. The state government is seeking additional revenue in order to maintain a wafer-thin operating fiscal surplus.

The Palaszczuk government announced the new measure in its 2017-18 state budget, and said the surcharge represents a fair contribution to the tax base, considering the numerous benefits foreign property investors in Queensland enjoy.

“Absentee owners benefit from a high standard of services and infrastructure delivered and maintained by a broad range of taxes,” the government said in its budget papers. “The surcharge will ensure absentee owners of land make a further contribution.”

However, property industry lobby groups have slammed the decision, accusing the state government of breaking a key election promise and jeopardising the economy.

“The introduction of a land tax surcharge on foreign property owners comes twelve months after the state government introduced an additional stamp duty surcharge on foreign property investors,” said Christopher Mountford, executive director of the Property Council (Queensland). “Both represent a broken election promise to not introduce new taxes, fees or charges.”

Mountford noted that foreign investment in residential real estate is a vital part of the Queensland economy. “[It] gets new projects off the ground, increases housing stock, creates jobs and increases tax collections to all levels of government,” he said.

Mountford called out the Palaszczuk government, saying it was playing a dangerous game by increasing taxes on foreign investors. “If we keep pushing up the costs of investing here, ultimately another part of the globe will become a more attractive place to invest, and the money and associated jobs will be redirected. We are not just competing with the southern states, we are competing with the rest of the world,” he said.

QUEENSLAND - Rates to rise 2.4 per cent in Brisbane City Council budget

Brisbane property owners will face 2.4 per cent rates increase in a 2017-18 budget that includes $50 million for Lord Mayor Graham Quirk's signature metro project.

For owner-occupied residential properties, that meant an average rate rise of $37 a year, or 72¢ per week.

Lord Mayor Graham Quirk will deliver an "infrastructure budget" on Wednesday, spending a billion dollars on hundreds of Brisbane roads including the Inner City Bypass and Kingsford Smith Drive.

Cr Quirk will hand down his seventh Brisbane City Council budget on Wednesday.

But while it will include the lowest rates rise since 2011, it was still well above Brisbane's March quarter inflation rate of 1.8 per cent.

Last week, Labor opposition leader Peter Cumming said he feared a rate rise above the inflation rate would make it hard for residents to pay their bills and put food on the table.

Average rates for commercial properties and the average increase to council fees and charges, including general waste, will also will rise by 2.4 per cent.

Cr Quirk said the budget would be "modest" and bring value for money for ratepayers while still delivering public transport subsidies and pensioner remissions.

"This budget reflects our ongoing dedication and enthusiasm toward keeping Brisbane on the right track," he said.

"This is a modest budget which I believe not only ticks all the boxes when it comes to retaining our strong credit rating but it also allocates enough funds to deliver on our promise to be the majority funder of the Brisbane Metro.

"With the continued investment in much needed infrastructure, my team have worked hard to keep this increase as low as possible while providing sound economic management."

The budget's $50 million spend on the Brisbane Metro in 2017-2018 will fund a concept design and impact management plan, site investigations and progress project approvals.

The forward estimate for the $944 million metro project in this year's budget was just over $5 million, with a further $98 million for 2018-2019 and about $102 million in 2019-2010.

Further revised timelines of how the council will fund two-thirds of the Brisbane Metro will be released in the full budget documents on Wednesday morning, but Cr Quirk said construction would commence in 2019 and be completed by 2022.

Other known outcomes of the $3 billion 2017-2018 budget are:

- $1 billion to improve the city's road network
- $123 million public transport subsidy
- $43 million for river-based tourism and recreation
- 40 per cent rates remission for full pensioners - increasing from a maximum of $967 to $990
- 20 per cent remission for part pensioners - increasing from a maximum of $451 to $462

Average rate rises in Brisbane during Graham Quirk's tenure as lord mayor:

- 2017-2018 – 2.4 per cent
- 2016-2017 - 4.7 per cent
- 2015-2016 - 2.5 per cent
- 2014-2015 - 3.85 per cent
- 2013-2014 - 3.8 per cent
- 2012-2013 - 4.49 per cent
- 2011-2012 - 1.79 per cent

NEW SOUTH WALES - Premier needs to showcase her credentials after fire levy burn

As Gladys Berejiklian was positioning herself to be elected by her Liberal Party colleagues as leader and Premier in January, she was asked by Fairfax Media why she was qualified for the job.

"I know how to fix a problem," she responded confidently. "I know how to get things done."

Gladys Berejiklian has made clear her plans as NSW's 45th Premier – but can she pull them off?

Berejiklian pointed out that she had experience, having spent four years as transport minister and treasurer, during which she could claim achievements such as delivery of the Opal transport smart card.

It was a pitch consistent with her reputation as the antithesis of Mike Baird, the risk-taking conviction politician she hoped to replace.

At the time the government was still reeling from Baird's aborted bid to ban greyhound racing in NSW, culminating in his sensational backdown despite repeatedly declaring closure of the industry was "the right thing to do".

That in turn was blamed in part for the Nationals spectacularly losing the seat of Orange in a by-election to the Shooters, Fishers and Farmers Party.

So it was of little surprise that her colleagues were being assured that Berejiklian was the model of stability; even more comforting, a policy wonk known for her impressive attention to detail.

Then along came the Fire and Emergency Services Levy.

As Fairfax Media previously pointed out, the levy has loomed as the first real test of Berejiklian's skill at implementing a difficult reform and, just as importantly, selling it to the electorate.

It can be assumed she was well across the detail, given it was first announced by her as treasurer in December 2015 and under consideration for some time before that.

That means the reform's development was overseen by her for well over a year prior to her being made Premier.

While the new Treasurer, Dominic Perrottet, might have taken the reins belatedly in late January, it's indisputable that Berejiklian owned it.

So when it comes to blame for the clumsy way it was unceremoniously "deferred" – more than likely a code for dumped altogether – after weeks of criticism about its unfairness to many property owners, the buck stops at the Premier's office.

Yet instead of a Baird-style mea culpa, what we got from Berejiklian on Wednesday was an attempt to shift blame to the easiest punching bags in politics: the bureaucrats.

She complained that Treasury modelling for how much owners of commercial and industrial land would pay after the new system began on July 1 was flawed.

Putting it politely, this is extremely unlikely to be the principal reason for the decision to axe a major reform you have been defending for months only four weeks out from its start date.

There is a far more likely reason. It's the backlash the government faced as hundreds of thousands of irate property owners opened their first rates notice for 2017-18 to discover they would be paying multiple times more than they had previously paid as part of their insurance premiums.

Most would be asked to do so without any change to the risk they faced requiring the services they had already been paying for prior to the change.

And while it's no doubt true that some property owners would have saved money, particularly hard hit would be the Liberal electoral strongholds of the north shore and eastern suburbs, given their relatively inflated land values.

All of this as local government elections are due in September and the next state poll in under two years' time.

As the details began to dawn on people across NSW over the past few weeks, some were quick to accuse the government of stealthily laying the groundwork for the introduction of a broad-based land tax; that is, one that is applied to the principal place of residence, and not just investment properties and holiday homes.

The accusation is interesting because despite the urging of a couple of former NSW Treasury secretaries, Berejiklian has always denied any interest in pursuing this reform as a means of killing off the hated stamp duty on property transfers.

Presumably the reason for that is at least in part the initial hit to the NSW budget, but also how politically risky the shift to a new tax would be given the hip-pocket implications for existing property owners.

Yet ultimately, the impact of the fire levy is largely the same, begging the question: Why would the government enthusiastically pursue one reform but refuse to consider the other?

One theory is that the fire levy is another policy overhang from Baird's time running the state, along the lines of forced council mergers; that it's a reform that, despite Berejiklian being treasurer at the time of its announcement, she was never particularly keen on.

If so, it's further evidence of the difference between Baird and his successor, initially displayed when one of her first decisions as Premier was to wind back the government's council amalgamations agenda.

That's fine for as long as the electorate is happy with a period of relative calm, post-Baird.

But the political burn associated with mishandling of the fire levy's implementation emphasises the importance of Berejiklian at some point in the two years before the 2019 election proving her leadership credentials.

Indeed, she will need to make good on her pitch that she is a politician who gets results.

ACT budget 2017: Andrew Barr delivers election promises with $83.4m deficit

The ACT government reveals in Tuesday's budget it will continue to drive rates and land tax higher, while also announcing that people who leave their homes vacant for an extended period will have to pay land tax.

Land tax averages $3715 for houses and $2227 for units in 2017-18. The new charge for an estimated 1500 to 2200 vacant homes was one of the few surprises in Chief Minister Andrew Barr's sixth budget.

The government will also reduce the discount for people who pay their rates upfront. Already down from 3 per cent a year ago, the discount for early payment is cut to just 1 per cent.

House owners will face an average increase in their rates bill of $159, or seven per cent, to $2295. Owners of units, including apartments and dual occupancies, will pay an average $217 more, or 19 per cent, to $1352. About one-third of Canberra's 150,000 homes are units.

Because rates are based on land values, the biggest increases will hit the inner north and inner south. House owners in Dickson, Campbell and Turner will pay an average 13 per cent more. And unit owners in Campbell, Hackett, Barton, Kingston, Yarralumla and some other suburbs including Hawker and Isaacs will pay 25 to 30 per cent more.

On top of the rates increases, the owners of investment properties will pay an average of $433 more a year in land tax – most of the impost hitting unit owners, who face an average $642 increase a year through a new way of calculating land tax.

Stamp duty for buyers of new properties will be cut, as previously foreshadowed. For a house worth $700,000 stamp duty will be cut by $1100, to $22,360. Overall, residential stamp duty will raise $194 million in 2017-18, down from $200 million in 2016-17. For commercial properties worth less than $1.5 million, stamp duty is halved this year and abolished in the next budget.

Chief Minister Andrew Barr delivered good news on the budget deficit, which is forecast for this year, 2016-17, at $74 million, an improvement of more than $100 million on the budgeted figure.

The 2017-18 budget deficit has worsened and is now forecast at $83 million. But Mr Barr is still anticipating a surplus in 2018-19, albeit only $10 million in the positive in a budget of more than $5.5 billion.

Mr Barr said the budget was driven by two imperatives: delivering election promises and repairing the bottom line.

It aimed to "keep the lowest possible range of increases across all taxes and charges, but we do need to provide services across a growing city."

The budget includes extra money for a range of projects, including for the Bimberi youth justice centre, an expansion of the Dhulwa mental health unit, the community organisation Shout, gender diversity, children's health checks, bulk billing and vaccinations.

The University of Canberra public hospital prepares for opening with $15 million of staff training. And work is set to begin on the new "SPIRE" building at the Canberra Hospital in 2019-20, with $200 million in the 2020-21 budget for construction.

An increase in the building levy will raise $2.2 million to spend on better policing of new buildings, after a string of problems with defective apartments.

A big tax break has been delivered to small and medium clubs.

The budget includes measures to drive efficiency, including $3.1 million in 2018-19 to deal with "excess staff" whose jobs no longer exist. Property will also be consolidated into one property management division, with resulting property sales worth $22 million over four years.

The government will spend $1 million a year on new staff to provide better oversight of the new land agencies which replace the troubled Land Development Agency on July 1. The funding would "ensure rigour and accountability in the decision-making processes", the budget says.

Mr Barr said $59 million would be spent by the new City Renewal Authority over four years, including $38 million on the West Basin reclamation and boardwalk, $20 million for planning and developing City Hill and West Basin, and $1 million for events.

The government would create the city centre that Canberra deserved and "no more will we have the joke that Canberra is 100 suburbs in search of a city", he said.

The city dominates land release, with 51,000 square metres of mixed-use space including apartments to be released in the city, among 77,000 square metres Canberra-wide in 2017-18. In specific residential release, 1500 of the 4100 blocks to be released in the 2017-18 year are in the city, and 1000 in Belconnen where the new area of Ginninderry is being opened up.

Mr Barr welcomed strong economic growth, with gross state product growing at 3.25 per cent in 2016-17, similar to the previous year. With the end of the resources boom, the southeastern states were driving the nation's economic performance, he said.

NSW doubles taxes on foreign property buyers

Voter-friendly move set to discourage Chinese investment

Australia's most populous state announced a doubling in property taxes for foreign buyers, a voter-friendly move set to discourage Chinese investment just as seemingly unstoppable markets in Sydney and Melbourne begin to show signs of strain.

Chinese are the largest foreign property buyers in Australia, and ploughed A$32bil (US$24bil) into the real estate market in the 2016 financial year, according to government figures.

"I think it will heavily discourage their investment," Ted He, managing director at CLG Corporate, a firm that advises Chinese property investors, told Reuters.

"If they do this too hard, it will just make the whole industry jump down so quickly."

The tax hike in New South Wales state, where home prices in Sydney eased for the first time in 18 months in May, lifts a surcharge collected from foreigners on home sales from 4% to 8%. A land tax for foreigners is also being raised.

This follows a similar move a year go in Victoria, where Melbourne home values also fell last month.

The new charges, effective from July, come hard on the heels of curbs on permissible investments for foreigners and tighter immigration rules.

"It is whacking the market when it's already turned," AMP Capital chief economist Shane Oliver said.

"The big danger with all these moves to slow down the property market is, because they're all coming at once, rather than apply the brakes its like we've come to a full stop, and you end up with a train crash:
That's the risk," he said.

The Reserve Bank of Australia in April warned of rising housing debt stoking bubble risks in the property sector. Policy makers, concerned a blistering run in home prices could create the expectation of a further jump in home values, have blamed speculators, led by foreigners, of pushing prices to unsustainable levels.

The risk of a housing bubble and bust is a major reason the RBA has not cut rates from the current 1.5% after last easing in August.

Taking heed of growing consternation among voters worried that foreign buyers are pricing out locals, the government in its budget last month announced fresh fines for foreign owners with properties vacant for at least six months of the year.

It also promised to withdraw capital gains tax concessions for foreigners from 2019. All of this and a raft of recent regulatory curbs aimed at blunting speculative investments, and cooling the frothy market, are beginning to bite.

Home prices notched their first falls for months in May in Sydney and Melbourne, CoreLogic figures published yesterday showed, after dramatic gains of more than 15%t there over the 12 months to April.

New South Wales premier Gladys Berejiklian said the measure was part of a broader push to put downward pressure on property prices and make it easier for first-time buyers to make purchases. – Reuters